

# House File 2453 - Introduced

HOUSE FILE 2453

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 651)

## A BILL FOR

1 An Act creating an exemption from the sales tax for certain  
2 items directly and primarily used in the production of  
3 electricity.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.3, subsection 47, paragraph a, Code  
2 2016, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (7) Directly and primarily used to  
4 produce electricity to be offered for sale, which electricity  
5 is produced at a facility that meets all of the following  
6 requirements:

7 (a) The facility has a generating capacity greater than five  
8 hundred megawatts.

9 (b) The facility was originally placed in service prior to  
10 January 1, 2016.

11 (c) On December 31, 2015, a majority of the facility was  
12 owned by a person that is not a public utility as defined under  
13 section 476.1, subsection 3.

14 Sec. 2. Section 423.3, subsection 47, paragraph c,  
15 subparagraph (3), Code 2016, is amended to read as follows:

16 (3) Industrial machinery, equipment, and computers,  
17 including pollution-control equipment within the scope of  
18 section 427A.1, subsection 1, paragraphs "h" and "i". This  
19 subparagraph (3) shall not apply to paragraph "a", subparagraph  
20 (7), of this subsection.

21 EXPLANATION

22 The inclusion of this explanation does not constitute agreement with  
23 the explanation's substance by the members of the general assembly.

24 This bill relates to the sales tax exemption in Code section  
25 423.3(47) for the purchase or rental of computers, machinery,  
26 equipment, supplies, replacement parts, and materials used  
27 to construct those items (collectively "specified items")  
28 that are used in certain activities. The bill provides  
29 that the specified items will be exempt from the sales  
30 tax if they are directly and primarily used to produce  
31 electricity to be offered for sale, provided the electricity  
32 is produced at a facility that has a generating capacity  
33 greater than 500 megawatts, that was originally placed in  
34 service prior to January 1, 2016, and that, on December 31,  
35 2015, was majority-owned by a person that is not a public

1 utility as defined in Code section 476.1(3). Code section  
2 476.1(3) generally defines a public utility as a person  
3 that is furnishing gas or water by pipe distribution system,  
4 electricity, or communication services to the public for  
5 compensation.

6 Under current law, the sales tax exemption in Code section  
7 423.3(47) does not apply to industrial machinery, equipment,  
8 computers, and pollution-control equipment listed in Code  
9 section 427A.1(1)(h) and (i) (property assessed as real  
10 property). The bill makes a conforming amendment to provide  
11 that this exclusion from the sales tax exemption does not  
12 apply to the specified items used to produce electricity to be  
13 offered for sale.

14 By operation of Code section 423.6, an item exempt from the  
15 imposition of the sales tax is also exempt from the use tax  
16 imposed in Code section 423.5.